

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 XMB-02 SP-02 USIA-06 AID-05

NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01

CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 OPIC-03 LAB-04

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FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 4343

LIMITED OFFICIAL USE SAN JOSE 3237

PASS EXIMBANK

E.O. 11652: N/A

TAGS: EFIN, CS

SUBJECT: LATIN AMERICAN BANK

REF: SAN JOSE 2269, SAN JOSE A-42, 5/24/76

1. BEGIN UNCLASSIFIED. JULY 1 AND 2 NEWSPAPERS REPORTED RESOLUTION OF THE LATIN AMERICAN BANK PROBLEM BY THE SIGNATURE OF AGREEMENTS ON JUNE 30. ACCORDING TO THE REPORTS, THE COSTA RICAN NATIONAL BANKING SYSTEM ASSUMED \$10,244,000 IN ASSETS OF THE LAB WITH THE BANCO CREDITO AGRICOLA DE CARTAGO ASSUMING 81 PERCENT OF THE TOTAL. IN ADDITION, THE PRESS STATED THAT AUTO TECNICA, S.A., A SUBSIDIARY OF AMERICAN MOTORS, ASSUMED \$3,500,000 OF THE LAB PORTFOLIO. END UNCLASSIFIED.

2. BEGIN LIMITED OFFICIAL USE. ACCORDING TO JAMES B. GREGORY, VICE PRESIDENT OF THE LAB, THE AMOUNT REPORTED IN THE PRESS AS ASSUMED BY THE NATIONAL BANKING SYSTEM AS A RESULT OF THE SCHEME OF ARRANGEMENT (SEE REFTEL) IS CORRECT. HOWEVER, AUTO TECNICA ASSUMED \$3.3 MILLION OF THE LAB PORTFOLIO RATHER THAN THE REPORTED \$3.5 MILLION.

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GREGORY ADDED THAT SECURED CREDITORS WOULD RECEIVE

BANK AND AUTO TECNICA NOTES COVERING
100 PERCENT OF THEIR LOANS WHILE UNSECURED CREDITORS
WOULD RECEIVE NOTES COVERING ONLY 61.79 PERCENT OF
THEIR LOANS.

3. GREGORY ALSO REVEALED THAT THE LAB WOULD ATTEMPT
TO REPAY THAT PORTION OF THE LOANS NOT COVERED BY THE
ARRANGEMENT (38.21 PERCENT) AS WELL AS THE FOLDERS,

BOTH COSTA RICAN AND FOREIGN, OF CERTIFICATES OF
DEPOSIT BY A GRADUAL LIQUIDATION OVER SEVERAL YEARS OF
SOME OF THE REMAINING LAB ASSETS AND BY A VIGOROUS LOAN
RECALL EFFORT.

4. ACCORDING TO GREGORY, THE ACTUAL TRANSFER OF NOTES
TO THE CREDITORS WILL OCCUR WITHIN 30 TO 60 DAYS. HE
EXPLAINED THAT THE NATIONAL BANKS NEED TIME TO REGISTER
THE ASSETS OF LAB IN THE PUBLIC REGISTRY. THE LAB HAS
OFFERED TO HANDLE THE REGISTRATION AND THE NATIONAL BANKS
HAVE ACCEPTED. HE EXPECTS THAT DELEGATIONS FROM EACH OF
THE CREDITOR GROUPS, INCLUDING EXIMBANK, WILL BE PRESENT
IN SAN JOSE FOR THE TRANSFER OF NOTES.

5. GREGORY ALSO SAID THAT HE ANTICIPATED THAT LEGAL
ACTION WOULD BE BROUGHT AGAINST THE RODRIGUEZ BROOZERS
FOR THE FRAUDULENT PRACTICES THAT WERE THE SOURCE OF
LAB'S DIFFICULTIES (REPAIR).

6. RODRIGO CAAMANO, WHO IS HANDLING LAB MATTERS FOR
THE CENTRAL BANK, CONFIRMED THROUGH HIS SECRETARY
THAT PRESS REPORTS ARE GENERALLY ACCURATE. HOWEVER,
EMBOFF HAS NOT BEEN ABLE TO SPEAK DIRECTLY WITH
CAAMANO TO CONFIRM THE OTHER DETAILS OF THE ARRANGEMENT.
TODMAN

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